

Highlights of The Week

Raw coffee prices featured mixed trend in Karnataka market during this week ended as on 23rd February 2015. New Season 2014 / 15 Arabica Plantation and Arabica Cherry coffees met with limited enquiry from the Exporters as well as from the Domestic Trade. Robusta Parchment Coffees met with support from the Domestic Trade, there was no New Season Robusta Cherry Coffees on offer. Total 259815 kgs was on offer including 139127 kgs of Arabica coffee and 120688 kgs of Robusta coffee where 58000 kgs was sold at the auction which held on the 19th February 2015. Arabica Plantation PB, MNEB, AA, A and B grade price were lower by Rs.100 to 500 per 50 Kgs when compared to the previous sale date, C grade price were higher by Rs.100 per 50 Kgs when compared to last levels.

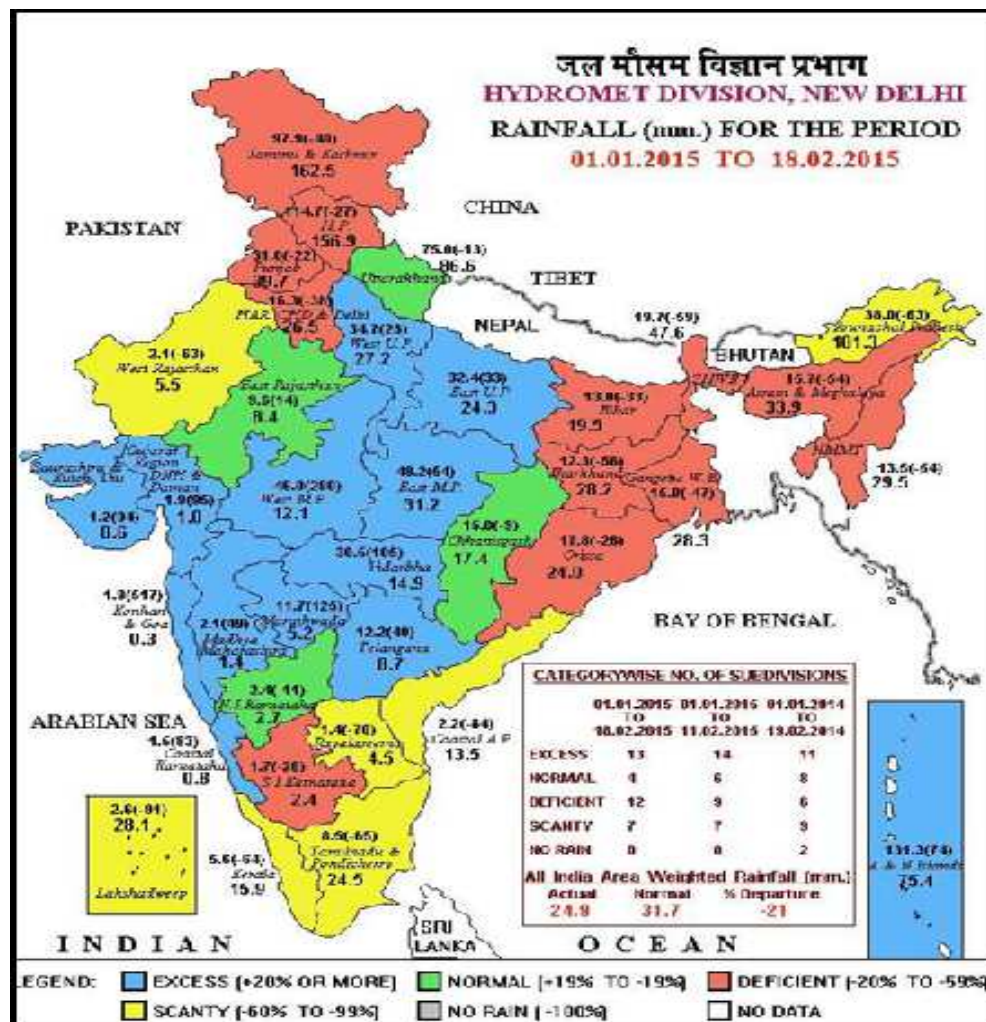
As per DGCIS report, India has received total coffee exports revenue around Rs. 308.60 crore which is in USD 49.59 million in January 2015 lower by 16.50% in Rs. and 16.71% in USD respectively against Rs. 369.57 crore and USD 59.54 million respectively in previous year during the same month. It stood at Rs.3759.46 crore and the value in USD at 618.79 million since April-2014 to Jan-2015 up by 2.02 in Rs. and 0.17% when the value is counting in USD against last year revenue i.e. Rs.3685.20 crore and in USD 617.77 million in corresponding period of time.

As per Volcafe recent forecast (19th Feb 2015), global coffee production may reach at the level of 152.8 million 60 kg bags in 2015/16 higher from 142.2 million bags in 2014/15 forecast. Coffee production forecast for Brazil is kept up at 49.5 million bags for 2015/16 against 47 of prior season followed by Arabica coffee production at 33 million bags and Robusta coffee production at 16.5 for 2015/16. While, Brazil's output may touch the level of 47.28 in 2015/16 slightly higher from 46.78 million bags in previous year with Arabica's production at 35.05 million bags and Robusta's production 15.2 million bags according to Terra Forte.

As per Safras e Mercado, farmers in Brazil had sold 79% of the 2013/14 harvested crop as of 6th Feb 2015 higher from 75% during the same period in previous season due to rise in prices in early February in 2015 and an appreciation of the dollar which encouraged farmers to release their stocks. Arabica crop was sold around 79% of its estimated crop i.e. 33.4 million bags and Robusta crop by 77% of the 15.5 million bags of coffee. In Minas state, farmers had sold 81% coffee crop.

Weather Updates of India

Below Map shows weekly rainfall scenario of India:-



Source: IMD

- India received total 24.9 mm actual cumulative seasonal rainfall of India (1st January 2014 to 19th February-2015) below 60% against 31.7 mm of Normal rain.
- Thunderstorm has observed at a few places over Arunachal Pradesh and Assam on 14th; and at isolated places over Arunachal Pradesh, Assam & Meghalaya, Sikkim, Odisha and north Chhattisgarh on 13th; over Gangetic West Bengal on 16th; over Jammu & Kashmir, Himachal Pradesh on 17th and over Punjab on 16th & 17th .
- An upper air cyclonic circulation laid over interior Tamilnadu and adjoining Kerala extending up to 0.9 km above mean sea level on 16th and became less marked on 17th .

Exports and Imports of India

Provisional Indian green coffee exports is registered down by 36.94% to 27403 metric tonnes from 1st January 2015 to 19th February 2015 as compared to 36468 metric tonnes of previous year exports during the same period of time. India re-exports maximum Instant type of coffee which is recorded at 9728 metric tonnes in this year during 1st January 2015 to 19th February 2015 significantly higher from preceding year re-exports volume i.e. 4307 metric tonnes on higher demand due to its better quality. Total provisional exports of Arabica parchment, Arabica cherry, Robusta Parchment, Robusta Cherry is placed down by 52.14% to 5898, 17.55% to 2518 metric tonnes, 16.56% to 1839 metric tonnes, 19.18% to 14345 metric tonnes respectively against last year exports volume i.e.12324 metric tonnes, 3045 metric tonnes, 2204 metric tonnes, 17750 metric tonnes respectively in the same period of time.

Below table shows Indian coffee exports volume in details:-

| Export update: From 01st January 2015 to 19th February 2015 (in metric tonnes) | | | | | | | | | |
|--|--|---------------|---------------|----------------|----------------|----------------------|------------------|----------------|--------------|
| | INDIAN COFFEE | Ar.Pmt | Ar.Chy | Rob.Pmt | Rob.Chy | Roasted seeds | R & G | Instant | Total |
| 1 | Provisional exports (Indian coffee) | 5898 | 2518 | 1839 | 14345 | 4 | 28 | 2771 | 27403 |
| 2 | Provisional exports corresponding period last year | 12324 | 3054 | 2204 | 17750 | 21 | 35 | 8074 | 43462 |
| 3 | Provisional re-exports | 0 | 0 | 0 | 0 | 6 | 10 | 9712 | 9728 |
| 4 | Provisional re-exports corresponding period last year | 0 | 0 | 0 | 0 | 0 | 0 | 4307 | 4307 |
| 5 | Total provisional exports (1+3) | 5898 | 2518 | 1839 | 14345 | 10 | 39 | 12483 | 37132 |
| 6 | Total provisional exports corresponding period last year (2+4) | 12324 | 3054 | 2204 | 17750 | 21 | 35 | 12381 | 47769 |

Source: The Coffee Board of India

Domestic Balance Sheet (USDA)

Balance Sheet Highlight:-

- Total availability may stand higher this season (Oct'14-Sep'15) due to higher production and opening stock estimates.
- Total consumption and exports is expected higher on increased demand of coffee from overseas during the season.
- However, ending stocks would be lower this season due to increased domestic consumption and exports volume. It is forecast to reach at 2077 thousands 60- kg bags in 2014/15 marketing year down against 2157 thousands-60 kg bags in 2013/14 marketing year.

Below chart shows domestic coffee balance sheet since 2011-12 to 2014-15:-

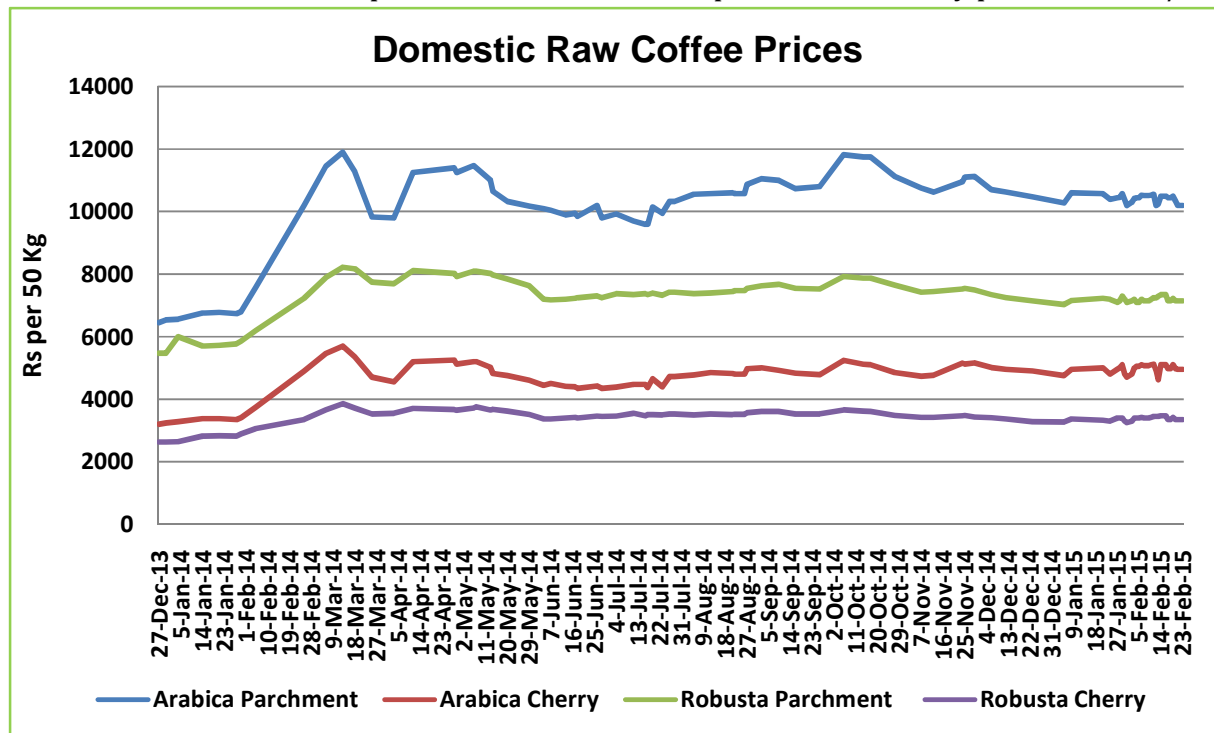
| All figures in Thousands-60 kg bags | | | | |
|-------------------------------------|----------|---------|---------|---------|
| Item | 2014-15* | 2013-14 | 2012-13 | 2011-12 |
| Supply | | | | |
| Opening Stock | 2157 | 1982 | 1473 | 1742 |
| Crop Size | 5100 | 5075 | 5303 | 5230 |
| Imports | 1045 | 1149 | 1164 | 892 |
| Availability | 8302 | 8206 | 7940 | 7864 |
| Demand | | | | |
| Soluble Domestic consumption | 430 | 430 | 350 | 380 |
| Roasted, Ground Dom. Consumption | 770 | 819 | 750 | 788 |
| Total consumption | 1200 | 1249 | 1100 | 1168 |
| Exports | 5025 | 4800 | 4858 | 5223 |
| Total Demand | 6225 | 6049 | 5958 | 6391 |

Source: USDA (* Estimate)

Coffee Prices of Auction Market & State-wise Market

All the prices are moving in a range in Feb month 2015. Arabica prices are moving in between 10000 to 10550 only on ups and downs in demand in Feb month. While, Robusta Parchment is trading in between 7100 to 7350 Rs. per 50 kg bags in Feb month due to steady exporters as well as domestic demand.

Below mentioned charts depicts domestic raw coffee prices and monthly prices in 2014/15:-



Source: The Coffee Board Of India

Domestic Raw Coffee Prices(Karnataka):

| Variety | 23.2.2015 | 16.2.2015 | Change |
|-------------------|-----------|-----------|--------|
| Arabica Parchment | 10300 | 10450 | -150 |
| Arabica Cherry | 4925 | 4975 | -50 |
| Robusta Parchment | 7200 | 7150 | 50 |
| Robusta Cherry | 3450 | 3350 | 100 |

* Values in Rs per 50 Kg

ICTA Auction Prices (Bangalore)(New Season(2014-2015) Crop

| Grade | 19.2.2015 | 12.2.2015 | %Change | 19.2.2015 | 5.2.2015 | %Change |
|-------|--------------------|--------------------|---------|----------------|----------------|---------|
| | Arabica Plantation | Arabica Plantation | | Arabica Cherry | Arabica Cherry | |
| MNEB | 14300 | -- | -- | -- | | |
| AA | 14100 | -- | -- | -- | | |
| PB | 13600-13900 | -- | -- | -- | | |
| A | 13500-13900 | -- | -- | -- | | |
| AB | -- | -- | -- | 9650 | | |
| B | 11600-12100 | -- | -- | -- | | |
| C | 10850-11150 | -- | -- | -- | | |
| BBB | 6900-7905 | -- | -- | 6600 | | |
| Grade | Robusta Parchment | Robusta Parchment | | Robusta Cherry | Robusta Cherry | |
| RKR | -- | -- | -- | -- | -- | -- |
| A | -- | -- | -- | -- | | -- |
| PB | 8875 | -- | -- | -- | | -- |
| AA | -- | | -- | -- | | -- |
| AB | 9505 | -- | -- | -- | | -- |
| B | -- | -- | -- | -- | | -- |
| C | -- | -- | -- | -- | | -- |
| BBB | 6500-6700 | -- | -- | -- | | -- |

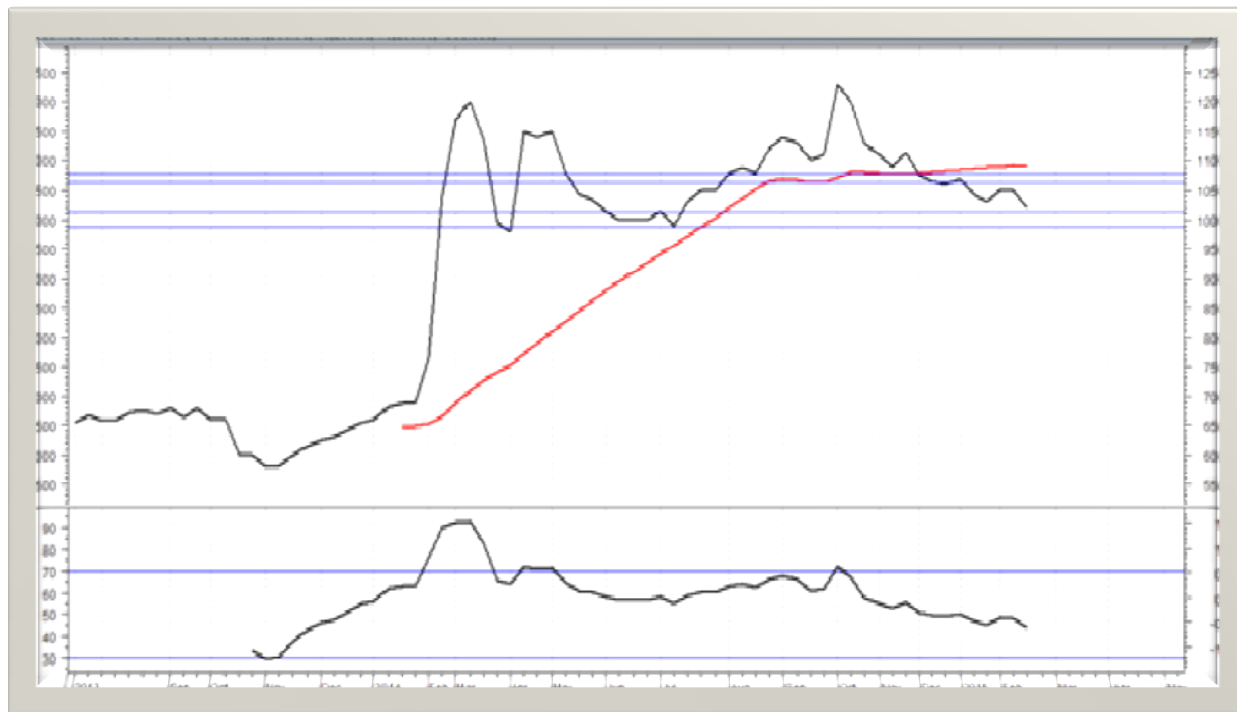
Values in Rs. per kg

ICTA Auction Prices (Bangalore)(Old Season(2013-2014) Crop

| Grade | 19.2.2015 | 12.2.2015 | %Change | 19.2.2015 | 12.2.2015 | %Change |
|-------|--------------------|--------------------|---------|----------------|----------------|---------|
| | Arabica Plantation | Arabica Plantation | | Arabica Cherry | Arabica Cherry | |
| MNEB | -- | -- | -- | -- | -- | -- |
| AA | -- | -- | -- | -- | -- | -- |
| PB | -- | -- | -- | -- | -- | -- |
| A | 11105-13250 | -- | -- | 10650 | | -- |
| AB | -- | -- | -- | -- | | -- |
| B | -- | -- | -- | -- | | -- |
| C | -- | -- | -- | 7650 | | -- |
| BBB | -- | -- | -- | 6500 | | -- |
| Grade | Robusta Parchment | Robusta Parchment | | Robusta Cherry | Robusta Cherry | |
| RKR | -- | -- | -- | -- | -- | -- |
| A | -- | -- | -- | -- | | -- |
| PB | -- | -- | -- | 7100 | | -- |
| AA | -- | | -- | -- | | -- |
| AB | -- | -- | -- | 7000-7050 | | -- |
| B | -- | -- | -- | 7400 | | -- |
| C | -- | -- | -- | 7150-7175 | | -- |
| BBB | 6400 | -- | -- | 6400-6500 | | -- |

Values in Rs. per 50kg.

Technical Analysis of Domestic Arabica Parchment Coffee at Karnataka Market



Weekly Technical Outlook:-

- Above chart shows down price trend in the market after slow buying activities.
- While, moving average indicates rising phase of the market in upcoming days.
- RSI is down at 44.04 in this week against 48.10 of previous week indicates further a fall in the prices.
- We expect prices to trade with steady to downside movement further.

Expected Price Range During Coming Week

| <u>Expected Trend</u> | <u>Expected Trading Band</u> |
|---|-------------------------------------|
| <u>Range-bound to Bearish Momentum</u> | 10138-10645 |

Units in Rs./50 kg.

Expected Support and Resistance

| S2 | S1 | PCP | R1 | R2 |
|-----------|-----------|------------|-----------|-----------|
| 9882 | 10137 | 10200 | 10646 | 10783 |

Units in Rs./50 kg.

International Market Updates:**Weekly Futures Review -**

ICE Arabica coffee future prices of March contract shows weak tone in this week after rainfall in Brazil. ICE Arabica coffee future prices declined by 9% to 148.65 US cents/lb as on 20th Feb. 2015 compared to 163.20 US cents/lb of last week prices. As per Exchange data, ICE Coffee speculators decreased their net long position by 1827 lots to 8847 lots as of Feb 17, 2015. U.S. green coffee stocks totaled 5,308,000 60kg bags by the end of January, down 216,964 bags from the previous month, according to the Green Coffee Association (GCA).

Brazil:-

About 130 mm of rainfall was received in South Minas Gerais and Cerrado Mineiro from Feb. 9 to 18 which may affect positively on standing crops. According to Coffee Exporters Terra Forte, Brail is expected to harvest more coffee crops at 47.28 million 60-kg bags of coffee in the 2015/16 against 46.78 million bags in 2014/15 attributed to higher Arabica coffee crops estimates which may touch the level of 32.05 million bags as compared to 29.3 million bags in 2013/14. While, Robusta crops forecast is placed lower at 15.2 million bags against 17.4 million bags in last year.

Others:-

- As per the coffee federation, total production of Colombia is likely to increase this year in between 12.5 and 13 million 60 kg bags supported by good weather and widespread replanting of aging and disease- prone trees to increase production. Colombia has planted varieties that can withstand climate change and in areas most prone to dry weather coffee bushes are planted beneath trees. Colombia's output is steadily improving since the 2008-09.
- According to the National Cocoa and Coffee Board (NCCB), Robusta coffee exports of Cameroon reached more than doubled to 1208 tonnes by end- January since the season opened against 596 tonnes in the corresponding period of time of last year.
- As per the National export center Cetrex, Nicaragua's coffee exports increased by 0.9% to 90,324 60 kg bags in January 2015 as compared to last month during 2013/14. Total shipment is amounted up by 42% to 268,535 60 kg bags during the first four month of the current 2014/15 from last year record during the same period of time. On the other hand, coffee production in Nicaragua may rise by 7% to 1.61 million bags in 2014/15 season due to the control of the tree-killing fungus Roya.
- As per the Nairobi Coffee Exchange (NCE), the top price of Kenya's benchmark grade AA coffee rose to \$534 per 50-kg bag at auction this week which is held on 17th Feb 2015 from \$500 per bag at last week's sale i.e.10th Feb 2015.

Coffee Balance Sheet of the World

Below are estimates for coffee output (in million bags):-

| Source | Date Issued | 2014/15 | 2015/16 | Robusta | Arabica | Global Production Forecast 2014/15 | Supply/ Demand 2014/15 |
|---------------------------|-------------|---------|-----------|-----------|-----------|------------------------------------|------------------------|
| Volcafe | 19-Feb-15 | 47 | 49.5 | 16.5 | 33 | 142.2 | -8.9 |
| Terra Forte | 13-Feb-15 | 46.78 | 47.28 | 15.2 | 32.05 | | |
| Olam | 12-Feb-15 | | 49 | | | | |
| IBGE Statistics Institute | 12-Feb-15 | | 43.9 | 11.7 | 32.2 | | |
| Conab | 13-Jan-15 | | 44.1-46.6 | 11.6-12.2 | 32.5-34.4 | | |
| Conab | 22-Dec-15 | 45.3 | | 13.03 | 32.3 | | |
| USDA | 19-Dec-14 | 51.2 | | 17 | 34.2 | 149.8 | |
| Volcafe | 17-Dec-14 | | 49.5 | 16.5 | 33 | | |
| Ecom | 15-Dec-14 | 55 | 50 | | | | |
| ICO | 11-Dec-14 | | | | | 141 | -0.8 |
| Citi Research | 1-Dec-14 | | 44.7 | | | | |
| Ranobank | 1-Dec-14 | | 42-47 | | | 144.4 | -5.1 |
| Spiciete Generale | 25-Nov-14 | | | | | 148.4 | 1.2 |
| Volcafe | 21-Nov-14 | 47 | | | | 141.5 | -10 |
| USDA attach | 14-Nov-14 | 51.2 | | 17 | 34.2 | | |
| Comexin | 13-Nov-14 | | 44-47 | 16 | 28-31 | | |
| Rabobank | 28-Oct-14 | 47 | 47 | 17 | 30 | | |
| F.O.Licht | 26-Sep-15 | 46 | 43 | | | | |
| Conab | 16-Sep-15 | 44.14 | 48.83 | 13.03 | 32.11 | | |
| Neumann | 26-Aug-15 | | 45 | | | | |
| Abic. | 26-Aug-15 | 45-47 | | | | | |
| Spiciete Generale | 25-Nov-14 | | | | | 148.4 | 1.2 |
| Volcafe | 21-Nov-14 | 47 | | | | 141.5 | -10 |
| USDA attach | 14-Nov-14 | 51.2 | | 17 | 34.2 | | |
| Comexin | 13-Nov-14 | | 44-47 | 16 | 28-31 | | |
| Rabobank | 28-Oct-14 | 47 | 47 | 17 | 30 | | |
| F.O.Licht | 26-Sep-15 | 46 | 43 | | | | |
| Conab | 16-Sep-15 | 44.14 | 48.83 | 13.03 | 32.11 | | |
| Neumann | 26-Aug-15 | | 45 | | | | |
| Abic. | 26-Aug-15 | 45-47 | | | | | |

Source:- Reuters

International Coffee Price Trend

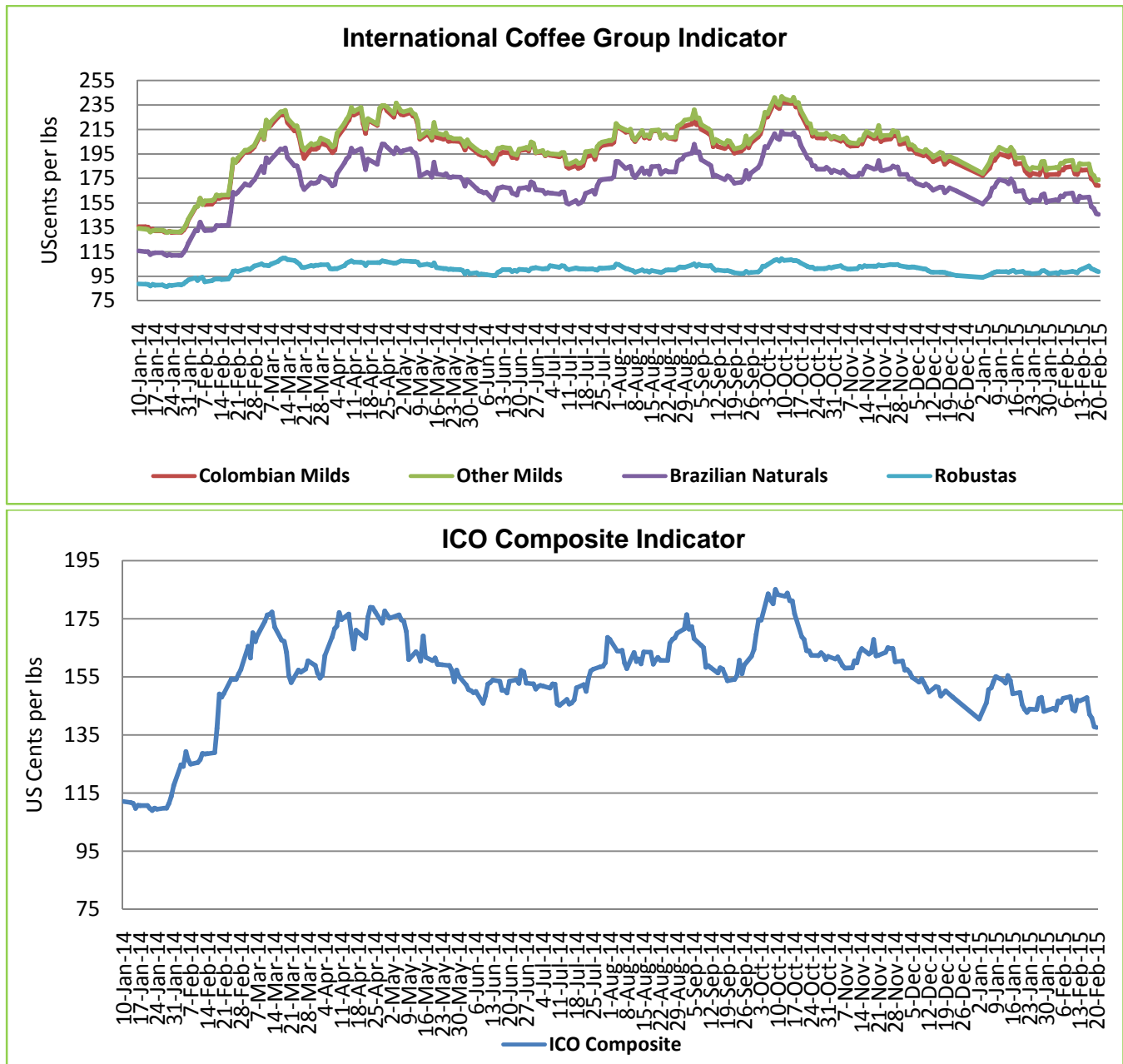
| | As on | Week Ago | Month Ago | Year Ago |
|--------------------------------|-----------|-----------|-----------|-----------|
| International Coffee Prices | 20.2.2015 | 13.2.2015 | 20.1.2015 | 20.2.2014 |
| ICO Composite Indicator | 137.58 | 146.76 | 145.34 | 148.00 |
| Colombian Milds | | | | |
| US | 168.00 | 179.50 | 178.25 | 189.50 |
| Europe | 170.15 | 183.98 | 184.58 | 185.89 |
| Group Indicator | 168.99 | 181.56 | 181.16 | 187.84 |
| Other Milds | | | | |
| US | 175.19 | 188.44 | 185.94 | 190.75 |
| Europe | 172.95 | 185.27 | 186.01 | 186.31 |
| Group Indicator | 173.80 | 186.48 | 185.98 | 188.00 |
| Brazilian Naturals | | | | |
| US | 138.00 | 151.50 | 146.25 | 157.50 |
| Europe | 148.14 | 162.08 | 163.38 | 163.70 |
| Group Indicator | 145.50 | 159.33 | 158.93 | 162.09 |
| Robusta | | | | |
| US | 104.17 | 106.92 | 102.17 | 104.08 |
| Europe | 97.74 | 99.59 | 96.70 | 98.31 |
| Group Indicator | 98.77 | 100.76 | 97.57 | 99.24 |

Germany Market - Hamburg and Bremen, France Market - (Le Havre and Marseilles) * Values in US cents/lb

International Coffee Indicators Chart:-

ICO composite average coffee prices are falling due to lower demand as buyers are not much interest to buy beans at the current level on expectation of further fall in coffee prices. Coffee prices made its record in 2012 after touching the highest level of 188.90 and second highest level in 2014 reaching near 172.88 US cents per lb. Prices may fall further on recent forecast of rainfall in Brazil.

Below Chart shows movements of ICO Indicators Prices in 2014:-



International- Future Market Prices:-

| ICE Arabica Coffee Futures Prices | | | | |
|-----------------------------------|--------------------|----------------------|-----------------------|-------------------|
| Contract Months | Today(20-Feb-2015) | Week ago (13-Feb-15) | Month Ago (20-Jan-15) | Weekly Change (%) |
| Mar-15 | 148.65 | 163.20 | 164.30 | -8.91 |
| May-15 | 152.90 | 166.50 | 167.00 | -8.44 |
| Jul-15 | 155.75 | 169.15 | 169.45 | -7.91 |

| Liffe Robusta Coffee Futures Prices | | | | |
|-------------------------------------|--------------------|----------------------|-----------------------|-------------------|
| Contract Months | Today(20-Feb-2015) | Week ago (13-Feb-15) | Month Ago (20-Jan-15) | Weekly Change (%) |
| Mar-15 | 1942 | 2009 | 1950 | -3.33 |
| May-15 | 1974 | 2036 | 1979 | -3.04 |
| Jul-15 | 2001 | 2057 | 2002 | -2.72 |

USC/lb

USD/T

International Coffee Prices

| | 20.2.2015 | 13.2.2015 | 20.1.2015 | 20.2.2014 |
|--|-----------|-----------|-----------|-----------|
| Vietnam (Robusta Beans Spot) (Dong/Kg) | -- | 40050 | 40100 | 38050 |
| Vietnam FOB (2-5 pct)* (Saigon port) | -- | 1937 | 1970 | 1775.50 |
| Indonesian FOB (4-80 defects)** (Lampung Port) | 1990 | 2020 | 1930 | 1815 |

*FOB Values are in USD/T

Weekly Auction Prices Of Kenya

| Kenya Auction Prices | | | |
|----------------------|-------------------------------------|-------------------|-------------------------------------|
| Coffee Grade | Prices This Auction In (17/02/2015) | Average Prices In | Prices Last Auction In (10/02/2015) |
| Arabica AA | 190-534 | 336.71 | 211-500 |
| Arabica AB | 138-368 | 267.27 | 91-400 |
| Arabica C | 86-260 | 215.97 | 86-267 |
| Arabica PB | 166-377 | 264.44 | 176-401 |
| Arabica T | 82-178 | 158.73 | 15-174 |
| Arabica TT | 117-236 | 206.61 | 169-229 |

Units in \$ per 50 kg bags

Technical Analysis of Coffee Future (Dec'14Contract) at ICE Future



Weekly Technical Outlook:-

- Candlestick chart depicts descending phase on selling pressures.
- Falling 14 days EMI hints further down trend in the market.
- Relatively, declining volume and prices hints further bearish phase of the market.
- RSI is down at 37.49 compared to last week movement at 43.28 indicating a fall in the next week.

Expected Price Range During Coming Week

| <u>Expected Trend</u> | <u>Expected Trading Band</u> |
|---|-------------------------------------|
| <u>Range-bound to Bearish Momentum</u> | 143-169 |

US cents/lb

Expected Support and Resistance

| S2 | S1 | PCP | R1 | R2 |
|-----------|-----------|------------|-----------|-----------|
| 137.96 | 142.39 | 148.65 | 170.72 | 176.03 |

US cents/lb

Technical Analysis of Coffee Future (Nov'14Contract) at LIFFE

Weekly Technical Outlook:-

- Candlestick chart shows downtrend in the market after sellers interests.
- On the other hand, 14-days EMA is moving slight down at 1956 from 1958 of last week record indicating further bearish phase of the market.
- Falling volume and prices hints short build up in the market.
- Fibonacci retracement level on downside wave shows second support level at 1844@50%.

Expected Price Range During Coming Week

| <u>Expected Trend</u> | <u>Expected Trading Band</u> |
|---|-------------------------------------|
| <u>Range-bound to Bearish Momentum</u> | 1920-2038 |

USD/T
Expected Support and Resistance

| S2 | S1 | PCP | R1 | R2 |
|-------------|-------------|-------------|-------------|-------------|
| 1844 | 1919 | 1942 | 2039 | 2074 |

USD/T
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